

Message Text

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70

ACTION NEA-10

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5093

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FOR UNDER SECRETARY ROBINSON

E.O. 11652: N/A

TAGS: ECON BEXP EG

SUBJECT: PROPOSED AMERICAN INVOLVEMENT IN ABU TARTUR PHOSPHATE
DEVELOPMENT

1. DAVID KINKADE, VICE PRESIDENT RALPH M. PARSONS
NEW YORK, INFORMED US JULY 9 THAT CONSORTIUM COMPOSED
OF PARSONS, CHASE NATIONAL BANK AND JACOBS, INC. HAVE
PRESENTED FORMAL PROPOSAL TO MINISTRY OF INDUSTRY FOR
COMPREHENSIVE DEVELOPMENT OF ABU TARTUR PHOSPHATE
DEPOSITS. ACCORDING TO KINKADE, FINANCING PACKAGE OF
500 TO 600 MILLION DOLLARS WILL BE ASSEMBLED BY CHASE
FOR PROJECT WHICH WILL TAKE AT LEAST FOUR AND ONE
HALF YEARS TO COMPLETE. PROPOSAL INCLUDES EXTRACTION,
TRANSPORTATION (RAIL) TO RED SEA, REFINING, AND HARBOR
FACILITIES. TERMS OF EGYPTIAN GOVERNMENT PARTICIPATION,
MARKETING OF PHOSPHATES AND SHARE OF CONSORTIUM IN
REVENUES HAVE NOT BEEN WORKED OUT. MINISTRY OF INDUSTRY
HAS TOLD KINKADE THAT IT IS STUDYING PROPOSAL.

2. PARSONS BELIEVES THAT PROPOSAL HAS CAUSED MAJOR
REASSESSMENT RE DEVELOPMENT OF ABU TARTUR. AS
PREVIOUSLY REPORTED, SOVIETS HAD SOUGHT TO FINANCE
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ONLY THE EXTRACTION PORTION OF PROJECT WITH LOW

INTEREST LOAN. ACCORDING TO KINKADE, SOVIETS WANT REPAYMENT IN PHOSPHATES AND REFINED PRODUCTS. SUCH GUARANTEED SOURCE OF SUPPLY WOULD FULFILL THEIR NEEDS FOR PHOSPHATE AT CONSTANT PRICE WHICH WOULD BE PLUS IN RAPIDLY CHANGING PHOSPHATE WORLD MARKET.

3. KINKADE EXPLAINED THAT TIME IS OF THE ESSENCE. BECAUSE OF EXISTING STUDIES, DEVELOPMENT OF ABU TARTUR COULD PROCEED ON MORE TIMELY BASIS THAN OTHER PROJECTS IN WHICH PARSONS INVOLVED IN ALGERIA, MOROCCO AND SENEGAL. IF EGYPTIANS PROCRASTINATE, E.G. IF THEY TRY TO SHOP AROUND USING PARSONS PROPOSAL, THESE OTHER PROJECTS WILL START WITH CONSEQUENT LOSS OF POTENTIAL MARKETS FOR EGYPTIAN ORE.

4. COMMENT: BASED ON CONVERSATIONS HERE. KINKADE BELIEVES THAT DECISION RE DEVELOPMENT OF PHOSPHATES AT ABU TARTUR WILL BE BASICALLY POLITICAL ONE AND WILL BE MADE AT HIGH LEVELS. WE TEND TO AGREE ALTHOUGH EGYPTIANS CLEARLY WOULD NOT WANT TO RANSOM PHOSPHATES TO SOVIETS AS IS SUGGESTED IN LATEST SOVIET DEAL. WE INTEND TO TAKE OPPORTUNITY TO DRAW GOE ATTENTION TO CONSORTIUM OFFER AND URGE HARD LOOK AT INTEGRATED PROPOSAL WHICH WE FEEL IS BEST WAY TO PROCEED WITH ABU TARTUR DEVELOPMENT.

5. CHASE WILL BE FOLLOWING UP PROPOSAL FOR GROUP HERE IN CAIRO.
EILTS

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